



State of Utah

Department of
Natural ResourcesMICHAEL R. STYLER
Executive DirectorDivision of
Oil, Gas & MiningJOHN R. BAZA
Division DirectorJON M. HUNTSMAN, JR.
GovernorGARY R. HERBERT
Lieutenant Governor

Representatives Present During the Inspection:

Company Jay Marshall Resident Agent

OGM Pete Hess Environmental Scientist III

Inspection Report

| | |
|------------------|----------------------------|
| Permit Number: | C0070013 |
| Inspection Type: | PARTIAL |
| Inspection Date: | Friday, December 28, 2007 |
| Start Date/Time: | 12/28/2007 8:40:00 AM |
| End Date/Time: | 12/28/2007 11:50:00 AM |
| Last Inspection: | Tuesday, December 11, 2007 |

Inspector: Pete Hess, Environmental Scientist IIIWeather: Mostly sunny; 20's to 30's F. Snow in forecast.InspectionID Report Number: 1514Accepted by: dhaddock *OK*
1/4/2008Permittee: **UTAHAMERICAN ENERGY INC**Operator: **UTAHAMERICAN ENERGY INC**Site: **HORSE CANYON MINE**Address: **PO BOX 986, PRICE UT 84501**County: **CARBON**Permit Type: **PERMANENT COAL PROGRAM**Permit Status: **ACTIVE**

Current Acreages

| | |
|----------|------------------------|
| 5,992.07 | Total Permitted |
| 122.49 | Total Disturbed |
| 61.65 | Phase I |
| | Phase II |
| | Phase III |

Mineral Ownership

- ☒ Federal
☒ State
☒ County
☒ Fee
☐ Other

Types of Operations

- ☒ Underground
☐ Surface
☐ Loadout
☐ Processing
☐ Reprocessing

Report summary and status for pending enforcement actions, permit conditions, Division Orders, and amendments:

The Permittee notified the Division on December 27, 2007 that it was the Company's intent to initiate vegetation removal from a portion of the area to be disturbed to construct the Lila Canyon Mine surface facilities. The Board of Oil, Gas and Mining approved a Stipulation to Dismiss a Request for Agency Action and a Joint Motion to Approve the Stipulation and Dismissal of the Request for Agency Action on December 21, 2007.

Access to the proposed Mine facilities area (permit area "B") was possible this day, with only two wheel drive activated. Snow is forecast for this area of the Bookcliffs.

The Division requested a meeting with Mr. Jay Marshall this day to discuss nineteen of the twenty-three permit commitments established by the Division's Master Technical Analysis dated April 27, 2007, as well as the five additional permit conditions established in Exhibit "A" to the Stipulation for Dismissal agreed to by the attorneys representing the Utah Attorney Generals Office, the Southern Utah Wilderness Alliance and Utah American Energy on December 10. The five new conditions are in addition to the three Special Conditions included as Attachment "A" of the DOGM permit issued for the Lila Canyon Extension of the Horse Canyon Mine dated May 18, 2007. The Permittee provided a letter from the Division this day indicating that the following permit conditions which had been previously identified had been met, as of October 15, 2007; #2, 3a, 3c, 3e, 3f, 3g, and 4.

Representatives of the US Department of the Interior, Bureau of Land Management, Price Field Office visited the site on December 20, 2007.

Inspector's Signature:

Date

Friday, December 28, 2007

Pete Hess, Environmental Scientist III

Inspector ID Number: 46

Note: This inspection report does not constitute an affidavit of compliance with the regulatory program of the Division of Oil, Gas and Mining.

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REVIEW OF PERMIT, PERFORMANCE STANDARDS PERMIT CONDITION REQUIREMENTS

1. Substantiate the elements on this inspection by checking the appropriate performance standard.
 - a. For COMPLETE inspections provide narrative justification for any elements not fully inspected unless element is not appropriate to the site, in which case check Not Applicable.
 - b. For PARTIAL inspections check only the elements evaluated.
2. Document any noncompliance situation by reference the NOV issued at the appropriate performance standard listed below.
3. Reference any narratives written in conjunction with this inspection at the appropriate performance standard listed below.
4. Provide a brief status report for all pending enforcement actions, permit conditions, Division Orders, and amendments.

| | Evaluated | Not Applicable | Comment | Enforcement |
|--|-------------------------------------|--------------------------|-------------------------------------|--------------------------|
| 1. Permits, Change, Transfer, Renewal, Sale | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Signs and Markers | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 3. Topsoil | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 4.a Hydrologic Balance: Diversions | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4.b Hydrologic Balance: Sediment Ponds and Impoundments | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4.c Hydrologic Balance: Other Sediment Control Measures | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4.d Hydrologic Balance: Water Monitoring | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 4.e Hydrologic Balance: Effluent Limitations | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Explosives | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Disposal of Excess Spoil, Fills, Benches | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Coal Mine Waste, Refuse Piles, Impoundments | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Noncoal Waste | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. Protection of Fish, Wildlife and Related Environmental Issues | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 10. Slides and Other Damage | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 11. Contemporaneous Reclamation | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 12. Backfilling And Grading | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 13. Revegetation | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 14. Subsidence Control | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 15. Cessation of Operations | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 16.a Roads: Construction, Maintenance, Surfacing | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 16.b Roads: Drainage Controls | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 17. Other Transportation Facilities | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 18. Support Facilities, Utility Installations | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 19. AVS Check | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 20. Air Quality Permit | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 21. Bonding and Insurance | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 22. Other | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

2. Signs and Markers

Prior to the initiation of vegetation removal, the Permittee has been instructed to install the permittee identification signs required under R645-301-521.241 and 521.243.

3. Topsoil

The Permittee only intends to remove vegetation at this time; topsoil will not be recovered.

4.d Hydrologic Balance: Water Monitoring

There was no flow observed this day. Some melting is occurring, but it is slow and is soaking into the ground.

9. Protection of Fish, Wildlife and Related Environmental Issues

Hoof prints and fresh fecal material from cattle were observed inside the proposed Mine facilities disturbed area. An area which has been identified as possibly having cultural resource potential was observed this day. Small amounts of char have been identified in the excavated material. The Permittee will avoid this site during all activities, until it can be evaluated by a qualified archeologist.

16.a Roads: Construction, Maintenance, Surfacing

Access to the site was possible on the newly graded County road (EC 126) this day. Some frozen snow remained on the road.

18. Support Facilities, Utility Installations

The construction schedule forecast which has been requested by the Division is very difficult if not impossible to predict at this time. The Permittee only has authorization to proceed with grubbing activities; further activities will only be approved from the UEI senior management as cash flow considerations warrant. The Permittee has developed a construction sequence, which allows for a significant amount of variability. A bid package for earthwork construction is approximately one month from being let for consideration.